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ENERGY REGULATORY FRAMEWORK REFORM: THE NATIONAL EXECUTIVE BRANCH AMENDED THE ELECTRICITY AND GAS REGIMES

Pursuant to the powers granted by Sections 161 and 162 of Law No. 27,742 on Bases and Starting Points for the Freedom of Argentines (the "**Bases Law**"), the National Executive Branch ("**PEN**", according to its Spanish acronym) issued Decrees No. 450/2025, No. 451/2025, and No. 452/2025 (respectively, "**Decree 450**", "**Decree 451**", and "**Decree 452**"), introducing significant modifications to Argentina's legal framework for the energy sector and establishing the National Gas and Electricity Regulatory Entity (the "**Regulatory Entity**"), a new body that consolidates the regulatory functions previously exercised by ENARGAS and ENRE.

THE ELECTRICITY SECTOR REFORM UNDER DECREE 450

I. The Transition Period

In addition to amending Laws No. 15,336 and No. 24,065 on Electric Energy ("**Law 15,336**" and "**Law 24,065**", respectively), Decree 450 establishes a 24-month transition period from its effective date for the implementation of the new regulatory framework for the electricity market. During this period, regulations must be issued to:

- i. Promote a competitive and decentralized market for fuel supply in electricity generation;
- ii. Ensure effective collection mechanisms for contracts with electricity distributors;
- iii. Define remuneration schemes for thermal generation that incentivize greater efficiency in fuel procurement;
- iv. Establish mechanisms to progressively shift demand from energy purchase agreements currently managed by *Compañía Administradora del Mercado Eléctrico Mayorista*

S.A. ("**CAMMESA**");

v. Arrange for the transfer of fuel supply contracts to the Wholesale Electricity Market ("**MEM**", according to its Spanish acronym); and

vi. Review the MEM Operational Procedures (*Procedimientos del MEM*) with the aim of either repealing them or limiting their validity during the transition period.

II. Amendments to Law 15,336

The scope of Law 15,336 now expressly includes commercialization activities, which are considered to be governed by civil and commercial regulations, thereby reinforcing the principles of open access and user choice in electricity procurement.

Decree 450 also introduces a new Section 12 bis, in line with the spirit of Federal Supreme Court decisions, which is intended to protect the MEM and the electricity value chain

from local taxes or regulatory actions that could disrupt their operation. Two main incompatibilities with federal energy legislation and the free flow of electricity are expressly identified:

i. Imposing local taxes that are not related to actual services provided or that impose fiscal burdens on electric power unrelated to the cost of service, or

ii. Any act or regulation issued by a local granting authority that:

a. Prevents local distributors from passing through to end-user tariffs the cost of electricity purchased in the MEM, provided that federal regulations permit such pass-through,

b. Restricts payment of distributor debts settled through the Dispatch Agency; or

c. Undermines the economic self-sufficiency of the electricity market as set forth in Article 2 of Law 24,065.

The reform also redefines the Federal Council of Electricity (CFEE) as a technical and advisory body and specifies its composition: thirty-two (32) *ad honorem* members, including the secretary of energy, who will serve as chair, or the undersecretary of electricity, who will act as substitute; one (1) representative from the Secretariat of Energy (“SE”) appointed by the PEN; one (1) representative and one (1) alternate for the City of Buenos Aires and for each province; as well as three (3) representatives from each Chamber of Congress—the Senate and the Chamber of Deputies. Its mandate includes:

i. Issuing non-binding technical opinions on national electricity system development plans and recommending improvements to the relevant authorities;

ii. Determining the allocation criteria for:

a. The Subsidy Fund for Regional Tariff Compensation for End Users, and

b. The Special Fund for Electricity Development of the Interior.

iii. Reporting to the SE on (i) each jurisdiction's compliance with the tariff principles set forth in Law No. 24,065, and (ii) any potential regulatory non-compliance by local distributors. Finally, Decree 450 amends the National Electric Power Fund and the Special Fund for Electricity Development of the Interior, while narrowing the role of the SE to maintaining an inventory of energy sources, advising the PEN on the granting of concessions and authorizations, and ensuring the free circulation and distribution of electricity throughout the country.

III. Amendments to Law 24,065

Decree 450's amendments to Law 24,065 primarily aim to: encourage long-term power purchase agreements, regulate transmission and distribution charges to ensure consistent investment and service quality; uphold consumer choice in supplier selection; and ensure the economic self-sufficiency of the electricity system.

New stakeholders are added to the MEM: (i) users who generate their own energy (user-generators), and (ii) energy trading and storage companies. Distributors will continue to serve captive users but must source at least seventy-five percent (75%) of their supply through long-term contracts. Decree 450 also promotes maximum competition and freedom of contract, establishing criteria for network usage fees applicable to user-generators.

Other key provisions include:

i. A ban on anti-competitive practices, with enforcement authority granted to the Regulatory Entity;

ii. Facilitation of critical electricity infrastructure projects, including privately led grid expansions. The expansion of the Argentine Interconnection System (SADI) may be undertaken at the sole initiative and risk of the executing party, in accordance with regulatory criteria. The regulation will define various expansion alternatives, including those under Law No. 17,520 and its amendments, and will establish: (a) technical and economic impact assessments based on a prior report by CAMMESA; (b) requirements for commercial authorization; (c) operational rules, including priority of use and investment recovery periods, as well as conditions for transferring usage priority to MEM participants; (d) procedures for granting dispatch priority to renewable generation during congestion; and (e) the applicable remuneration regime, ensuring that any third-party payment system is based on open, competitive, and auditable contracting processes.

iii. Streamlining procedures for the import and export of electricity;

iv. A mandate for clearer and more transparent electricity bills, itemizing costs of energy, transmission, and CAMMESA's services, excluding unrelated local taxes;

v. Joint liability of provinces and municipalities for WEM debts incurred by their distributors; and

vi. An updated right-of-way regime for electricity infrastructure, recognizing fair compensation without including loss of profit.

AMENDMENT OF THE NATURAL GAS LAW UNDER DECREE 451

Decree 451 approves a new consolidated version of Natural Gas Law No. 24,076, incorporating the principles of the Bases Law, including the right to freely export natural gas, provided there is no objection from the SE.

The decree also introduces the following modifications:

(i) Elimination of the previous rule under which administrative silence was considered approval for gas export authorizations; and

(ii) Expansion of available legal remedies against decisions of the Regulatory Entity, allowing appeals either to the National Appellate Court for Federal Administrative Litigation in the City of Buenos Aires or, at the appellant's discretion, to the Federal Court of Appeals with jurisdiction over the area where the service is provided.

ESTABLISHMENT OF THE NATIONAL GAS AND ELECTRICITY REGULATORY ENTITY UNDER DECREE 452

Decree 452 establishes a new Regulatory Entity under the purview of the SE, granting it functional, administrative, and budgetary autonomy. Its mandate is to unify the regulation of the gas and electricity sectors by consolidating the responsibilities previously held by ENARGAS and ENRE.

The Entity will be governed by a five-member Board to be established within 180 days, consisting of one (1) President (who will also serve as the legal representative), one (1) Vice President, and three (3) Directors, all appointed by the PEN through a selection process led by the SE. Each member will serve a five-year term, staggered to ensure continuity, and must devote themselves exclusively to their regulatory duties. Decisions will be adopted by simple majority, with a quorum of three (3) members, including the President.

Key responsibilities of the Board include:

- i. Enforcing compliance with the applicable legal and regulatory framework;
- ii. Advising the PEN on matters within the Entity's scope;
- iii. Hiring and removing Entity staff and determining

employment conditions;

- iv. Preparing the Entity's annual budget and revenue projections for NEB approval and inclusion in the National Budget Law;
- v. Preparing annual reports and balance sheets; and
- vi. Imposing sanctions as set forth under the gas and electricity regulatory frameworks and their supplemental provisions.

The Entity will be funded through inspection and control fees, donations, subsidies, transfers of any kind, revenue from CNG sticker sales, and other lawful sources as provided under Laws No. 24,076 and No. 24,065. Additionally, the Entity must submit its proposed annual budget for public consultation with transporters, distributors, users, and other market participants before submitting it to the PEN.

Until its new organizational structure is approved, the Entity will operate using the existing personnel, assets, budget, and operational units of ENARGAS and ENRE, all of which will be transferred to the new body.

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